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MACROECONOMIC POLICY QUESTIONS: FINANCING OF DEVELOPMENT, INCLUDING NET TRANSFER OF RESOURCES BETWEEN DEVELOPING AND DEVELOPED COUNTRIES

Costa Rica*: draft resolution

Global financial integration and strengthening collaboration between the United Nations and the Bretton Woods institutions, in particular the International Monetary Fund

The General Assembly,

Reaffirming its resolution 50/91 of 20 December 1995, entitled "Global financial integration: challenges and opportunities", and Economic and Social Council resolution 1996/43 of 26 July 1996 on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

Recalling section VII of annex I to General Assembly resolution 50/227 of 24 May 1996 on the relationship between the United Nations and the international finance and trade institutions, as well as other relevant resolutions,

Stressing the relevance for the international community of the issue of global financial integration and that it should be a very important element of the relationship between the United Nations and the Bretton Woods institutions, in particular the International Monetary Fund,

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* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

Welcoming previous initiative taken by the Bretton Woods institutions to invite the Secretary-General to address the joint World Bank/International Monetary Fund Development Committee at its 1995 and 1996 sessions,

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1. Recognizes that technological advances have reduced the costs and increased the speed of international financial transactions and that, as policy liberalization has facilitated international capital flows, financial institutions have increasingly added foreign assets to their portfolios, paving the way to the phenomenon of global financial integration;

2. Stresses that the process of global financial integration creates opportunities and challenges for the international financial system and that the Bretton Woods institutions, in particular the International Monetary Fund, should further contribute to the creation of a favourable international economic environment;

3. Notes with concern that sharp fluctuations in both interest rates and exchange rates have the potential effect of disrupting the international monetary and financial system, thus aggravating the volatility of short-term capital flows;

4. Stresses that Governments and international financial institutions have a role to play in preventing the negative effects of the volatility of short-term capital flows and in promoting stability in domestic financial markets;

5. Recalls that further efforts have to be taken at both the national and international levels to avoid future crises of confidence in the international financial markets, which have the potential of negatively affecting not only developing countries, but the international economic system;

6. Notes that while sound domestic macroeconomic policies of each country to promote macroeconomic stability are essential elements for determining the volume and structure of private capital flows, international macroeconomic policies play an important role in reinforcing their effectiveness, and should contribute to creating a favourable international economic environment;

7. Notes also that a number of developing countries have been able to take advantage of the globalization of finance, in spite of the negative effect of the volatility of some capital flows;

8. Stresses the need for the expansion of private capital flows and for broader access by all developing countries to those flows;

9. Also stresses that a number of developing countries, among them most of the least developed countries, especially those of Africa, have not benefited from the globalization of finance and continue to be in great need of official development assistance;

10. Further stresses that international economic cooperation has become an increasingly important aspect of official measures to reduce systemic risks in the financial sector;

11. Recognizes, in this context, that the regular lending programmes of the multilateral institutions, certain new initiatives of the International Monetary Fund aiming at enhancing the confidence of the financial markets, and the operational activities of the United Nations system contribute to assisting developing countries in their adjustment and stabilization efforts conducive to their development process;

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12. Notes that cooperation between the United Nations and the Bretton Woods institutions has been strengthened at the level of operational activities for development, but that only initial steps have been taken in the field of further promoting the policy analysis and assessment of development issues;

13. Recognizes that further progress in a cooperative relationship between the relevant intergovernmental bodies of the United Nations and the Bretton Woods institutions, in particular the International Monetary Fund, is urgently needed to build upon the respective strengths of each institution, taking into account the comprehensive mandate of the United Nations in the field of development;

14. Decides, with contributions from the Economic and Social Council, and from relevant intergovernmental bodies of the International Monetary Fund and the World Bank, to engage in the discussion of such issues as:

(a) Proposals aimed at enhancing broader cooperation and, where appropriate, coordination of macroeconomic policies among interested countries, monetary and financial authorities and institutions, as a means of promoting a stable international economic environment conducive to sustained economic growth, particularly in developing countries;

(b) The need to encourage private capital flows to all countries, in particular to developing countries, especially long-term capital flows, while reducing the risks of volatility;

(c) The steps taken by the International Monetary Fund to promote a strong and central role for the Fund in the surveillance of all countries in a symmetrical manner;

(d) Measures aimed at broadening and strengthening the participation of developing countries in the international economic decision-making process;

(e) Actions to promote more transparency and openness, including increasing the participation of developing countries in the work of the International Monetary Fund and the World Bank;

15. Requests the Secretary-General to report to the General Assembly at its fifty-second session on those discussions and to submit to it action-oriented proposals.